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TESTIMONY

of the

CITY OF TORRINGTON

to the

COMMITTEE ON LABOR AND PUBLIC EMPLOYEES

March 10, 2011

SB 989, "An Act Concerning Reserve Fund Balances and Changes to Municipal Binding Arbitration."

Senator Prague, Representative Zalaski and distinguished members of the Labor and Public Employees Committee, thank you for the opportunity to offer testimony on Senate Bill 989, "An Act Concerning Reserve Fund Balances and Changes to Municipal Binding Arbitration."

This bill helps to save local tax dollars for Connecticut residents by saving municipalities money on costly arbitration awards that we cannot afford. By forcing arbitrators to exclude fund balance accounts from a municipality's ability to pay, S.B. 989 provides a much clearer picture than current practice. The fact that an arbitrator can count a town's fund balance – their rainy day fund – when determining a city's ability to pay is not only unfair, but also unwise.

First, towns that are fiscally prudent and manage their finances well can be penalized as the money that they saved for emergencies can be spent on a non-emergency event. Secondly, rainy day funds are not continuous sources of revenue. The municipality will have to find another source of revenue once the fund runs out.

According to industry experts municipal fund balances must remain between 5 and 10% of total annual revenues.¹ If a municipality is depleting its fund balance below that level it can affect the bond rating of said municipality, costing those residents untold sums of money in interest payments when the municipality needs to borrow for a public project such as a high school.

If an arbitration award is made using a municipality's fund balance as a justification to fund an additional expenditure, the ripple effect it can have can be three times more than the initial award. The first is the initial payment, second being the potential to receive a lowered bond rating and the third is that the town now has to make up its lost savings as well as the increase in cost for the award the following year. In the end, it is the working families who live in a given

town that have to pay these increases in cost or suffer a loss in service such as less police officers or firefighters.

Every mandate has a constituency, but this bill helps your largest one; Connecticut residents. And therefore, I respectfully urge the committee to favorably report SB 989. Now is not the time to increase local costs and endanger the state-local partnership to create and retain jobs.

Thank you.

If you have any questions, please contact Mayor Ryan Bingham at 860.489.2228 or ryan_bingham@torringtonct.org

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¹ Government Finance Officers Association, Government Finance Review
<http://www.gfoa.org/downloads/GFRDeterminantsofCreditQua.pdf>